



J. TYLER McCaULEY  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-2766  
PHONE: (213) 974-8301 FAX: (213) 626-5427

May 4, 2006

TO: Mayor Michael D. Antonovich  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **RAEVERLY'S RESOURCE CENTER CONTRACT - WORKFORCE  
INVESTMENT ACT YOUTH PROGRAM**

We have conducted a program, fiscal and administrative contract review of Raeverly's Resource Center (RRC or Agency), a Workforce Investment Act Program (WIA) service provider. The review was conducted by the Auditor-Controller's Countywide Contract Monitoring Division.

**Background**

The Department of Community and Senior Services (DCSS) contracts with RRC, a private, non-profit, community-based organization, to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. RRC's office is located in the Second District. RRC is compensated on a cost reimbursement basis. For Fiscal Year (FY) 2004-2005, DCSS paid RRC approximately \$109,000, and for FY 2005-2006, RRC's contract is for approximately \$103,000.

**Purpose/Methodology**

The purpose of the review was to determine whether RRC has complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to youth participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State, and County guidelines.

*"To Enrich Lives Through Effective and Caring Service"*

### **Results of Review**

The program participants/guardians interviewed stated that the services they received met their expectations. In addition, RRC's non-personnel expenses were allowable and supported by documentation as required.

RRC billed DCSS \$1,080 for services provided to two individuals that were not eligible to receive program services. RRC also used \$270 in petty cash to pay participants' wages and did not withhold or pay payroll taxes on the amount paid to the participants. In addition, RRC did not provide the program services as required by the County contract. Specifically, we noted the following:

- For all ten (100%) of the participants sampled, RRC did not administer the pre-assessment at the time of enrollment.
- For seven (70%) of the ten participants sampled, RRC did not provide Leadership and/or Mentoring services in accordance with WIA guidelines.
- For all six (100%) of the participants sampled that exited the program, RRC did not follow-up with the participants.

RRC did not maintain adequate internal controls over its business operations. The Director of Operations had access to blank check stock, signed checks, approved purchases, and had access to financial records. Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with RRC on April 3, 2006. In their attached response, RRC concurred with our findings and recommendations. We also notified DCSS of the results of our review.

We thank RRC for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer  
Cynthia Banks, Director, Department of Community and Senior Services  
Sherai Henderson, Executive Director, Raevery's Resource Center, Inc.  
Public Information Office  
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM  
RAEVERLY'S RESOURCE CENTER  
FISCAL YEAR 2005-06**

**ELIGIBILITY**

**Objective**

Determine whether Raeveryly's Resource Center (RRC or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

**Verification**

We selected a sample of ten (40%) youth program participants from a total of 25 participants that received services between July through October 2005. We reviewed the ten case files for documentation to confirm the participants' eligibility for WIA program services.

**Results**

For nine (90%) of the ten participants, RRC did not obtain appropriate documentation to support the participants' eligibility to receive program services as required. Specifically, RRC did not obtain documentation to support the participants' age, income, citizenship, or basic skills deficiency. Subsequent to our review, RRC obtained the appropriate documentation to support the eligibility for one of the nine participants.

For two (25%) of the remaining eight participants, RRC billed the Department of Community and Senior Services (DCSS) \$1,080, which is the amount paid to the participants for subsidized employment. The remaining six participants may have incurred indirect costs, however, no direct costs for services billed to DCSS could be determined. RRC needs to repay \$1,080 for the subsidized employment the Agency billed DCSS.

**Recommendations**

**RRC management:**

- 1. Ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for program services as required by WIA guidelines.**
- 2. Repay DCSS \$1,080.**

3. **Review the eligibility of all program participants and repay DCSS for services provided to participants that were not eligible to receive services.**

### **BILLED SERVICES/CLIENT VERIFICATION**

#### **Objective**

Determine whether RRC provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the youth program participants actually received the billed services.

#### **Verification**

We reviewed the documentation contained in the case files for ten (100%) program participants that received services during July through October 2005. We also interviewed nine program participants/guardians to confirm the services RRC billed to DCSS were actually provided. We were unable to contact the tenth participant/guardian.

#### **Results**

The nine youth program participants/guardians interviewed confirmed that the services they received met their expectations. However, RRC did not provide the program services required by the County contract. Specifically, we noted the following:

- For all ten (100%) participants, RRC did not administer the pre-assessment test at the time of enrollment. WIA guidelines require that all youths enrolled in the youth program be given a pre-assessment test at the time of enrollment.
- For seven (70%) of the ten youth participants, RRC did not provide Leadership and/or Mentoring services. WIA guidelines require that each Agency provide Leadership and/or Mentoring services, which are considered essential to the development of the youth.
- For all six (100%) participants sampled that exited the program, RRC did not follow-up with the participants.

In addition, for four (40%) of the ten program participants, RRC did not code the participants' program activities on the Job Training Automation (JTA) system as required by the County contract. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

**Recommendations****RRC management:**

4. Ensure that the pre-assessment are administered to all youth participants at the time of enrollment as required.
5. Ensure that Leadership and/or Adult Mentoring services are provided to all youth participants as required.
6. Ensure that staff follow-up with the exited participants as required.
7. Ensure that staff update the JTA system to accurately reflect the participants' program activities as required.

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliations for July through September 2005.

**Results**

RRC used approximately \$270 from the petty cash account to pay participants' wages. In addition, RRC did not pay payroll taxes on the \$270 paid to the participants. .

Further, the Agency did not maintain sufficient controls over cash. Specifically, we noted:

- For nine (82%) of the 11 cancelled checks reviewed, totaling approximately \$4,000, RRC did not obtain two authorized signatures. The County contract requires two authorized signatures on all checks.
- The Director of Operations approves expenditures, signs checks, prepares financial records, and has access to blank check stock. The County contract requires adequate separation of duties to prevent misuse of County funds.

- The preparer and the reviewer of the bank reconciliations did not sign the monthly reconciliations. The County contract requires bank reconciliations to be signed by both the preparer and reviewer.

**Recommendations****RRC management:**

8. Ensure that petty cash is not used to pay participants' wages.
9. Ensure that payroll taxes are paid as required.
10. Ensure that checks are signed by two authorized signers as required.
11. Ensure that there is adequate segregation of duties as required.
12. Ensure that the preparer and reviewer sign and date the monthly bank reconciliations.

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether the program related expenditures are allowable under the County contract, properly documented, and accurately billed.

**Verification**

We interviewed Agency personnel and reviewed financial records and other documentation to support four non-personnel expenditure transactions, totaling \$1,848 (61%) of \$3,045, billed by the Agency for September 2005.

**Results**

RRC's expenses were appropriate, allowable, accurately billed to DCSS and supported by documentation as required.

**Recommendation**

**There are no recommendations in this section.**

## **INTERNAL CONTROLS**

### **Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, to determine whether the Agency is in compliance with other program and administrative requirements.

### **Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

### **Results**

RRC's internal controls need to be improved. Specifically, the Director of Operations and the Executive Director had access to all accounting records, blank checks, personnel records, and payroll records.

RRC also did not have a procedural manual that addressed the Agency's administrative, accounting, and personnel policies. In addition, RRC's procurement manual does not require the Agency to obtain three price quotes for purchases over \$1,000. WIA guidelines require that a minimum of three price quotes be documented for purchases over \$1,000. According to RRC personnel, purchases that exceeded \$1,000 were made without obtaining three price quotes.

### **Recommendations**

#### **RRC management:**

- 13. Ensure that there is adequate segregation of duties as required.**
- 14. Develop procedure manuals that outline the administrative, accounting, and personnel policies.**
- 15. Ensure that the Agency's procurement policies and procedures are in compliance with regulatory standards and that staff comply with the requirements.**

## **FIXED ASSETS AND EQUIPMENT**

### **Objective**

Determine whether RRC's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

**Results**

We did not perform test work in this section. RRC did not use WIA funding to purchase fixed assets or equipment.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

**Verification**

We traced and agreed the payroll expenses for three employees totaling approximately \$4,420 to the payroll records and time reports. The amount represented 83% of the \$5,330 billed to DCSS. We also interviewed one staff and reviewed the personnel files for four staff assigned to the WIA program.

**Results**

RRC appropriately charged payroll expenses to the WIA program. In addition, RRC's personnel files were properly maintained.

**Recommendation**

**There are no recommendations in this section.**

**COST ALLOCATION PLAN****Objective**

Determine whether RRC's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

**Verification**

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in September 2005.

**Results**

RRC's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.



**Recommendation**

**There are no recommendations in this section.**

*Raevery's Resource Center  
20630 Leapwood Ave., Suite C  
Carson, Ca 90746  
310-856-0280*

April 10, 2006

County of Los Angeles  
Department of Auditor-Controller  
Kenneth Hahn of Administration  
500 W. Temple Street, Room 525  
Los Angeles, CA 90012

Re: Raevery's Resource Center Contract – Workforce Investment Act Youth Program

Dear Auditor-Controller:

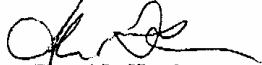
Raevery's Resource Center (RRC) has received the audit for fiscal year 2005-06 for the WIA program. RRC has the following response for the recommendations indicated in the report:

1. **Concur.** RRC has modified it's documentation collection process for 2005-06 so that the appropriate documentation is obtained to determine participants' eligibility for the program
2. **Concur.** RRC will repay DCSS \$1080.
3. **Concur.** RRC has reviewed the eligibility of all program participants and has obtained appropriate documents and found that current program participants have proper documentation.
4. **Concur.** In July 2005, RRC switched its assessment test to the CASAS testing system which is line with WIA guidelines.
5. **Concur.** RRC will ensure that Leadership and/or Adult Mentoring services are provided to all youth participants.
6. **Concur.** RRC will ensure that staff follow-up with the exited participants as required.
7. **Concur.** RRC will ensure that staff updates the JTA system to accurately reflect the participants' program activities as required.

8. **Concur.** RRC has modified its petty cash procedure in regards to participant wages. All participant wages are paid by the agency's payroll service, ADP.
9. **Concur.** All payroll taxes are paid as required.
10. **Concur.** All checks have two authorized signatures.
11. **Concur.** Duties have been segregated to the best of the agency's ability. The Director of Operations no longer prepares financial records or has access to the blank check stock.
12. **Concur.** The preparer and reviewer are signing and dating the monthly bank reconciliations.
13. **Concur.** Duties have been segregated to the best of the agency's ability.
14. **Concur.** Procedure manuals have been modified and developed to outline administrative and personnel policies.
15. **Concur.** Procurement policies have been modified and staff is in compliance.

If you have any questions, please feel free to contact me at (310) 856-0280.

Sincerely,



Sherai L. Henderson  
Executive Director